

Message Text

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C O N F I D E N T I A L MOSCOW 12715

E.O. 11652: GDS
TAGS: ERRD, EFIN, CA, UR
SUBJ: REPORTED SOVIET PLANS FOR EARLY UTILIZATION OF
CANADIAN CREDITS

REF: A) MOSCOW 12107, B) MOSCOW 12463 C) 75 MOSCOW 17860

1. SUMMARY: SOVIET MINISTER OF FOREIGN TRADE PATOLICHEV HAS TOLD CANADIANS THAT USSR WILL SOON MAKE ACTIVE USE OF THE HALF BILLION DOLLAR CREDIT LINE WHICH CANADIANS MADE AVAILABLE FOR USSR IN 1975. SOVIETS HAVE BEEN SIMILARLY SLOW IN USING NEARLY ONE BILLION POUNDS IN GOVERNMENT-SUBSIDIZED CREDIT OPEN TO THEM IN UK. EMBASSY BELIEVES THAT SUDDEN SOVIET DRAWDOWNS ON THESE CREDITS - WHICH HAVE UP TO NOW BEEN LARGELY BYPASSED IN FAVOR OF WEST EUROPEAN AND JAPANESE SUPPLIERS - WOULD BE INTERESTING INDICATOR OF EXTENT OF SOVIET HARD CURRENCY PINCH, WHICH IS CURRENTLY AGGRAVATED BY AN UNCERTAIN GOLD MARKET AND THE INCREASED COST OF EURODOLLAR BORROWING. END SUMMARY.

2. IN DISCUSSION WITH AMBASSADOR AUG 9, CANADIAN AMBASSADOR
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TO MOSCOW FORD COMMENTED THAT DURING JULY VISIT TO CANADA

SOVIET FOREIGN TRADE MINISTER PATOLICHEV HAD ASSURED CANADIANS THAT USSR WILL SOONE BEGIN ACTIVE UTILIZATION OF \$500 MILLION CANADIAN CREDIT LINE WHICH WAS SET UP FOR SOVIETS IN 1975. PATOLICHEV MENTIONED FIVE OR SIX PROJECTS IN USSR WHICH ARE EXPECTED TO DRAW ON CANADIAN CREDIT IN NEAR FUTURE FOR PURCHASES OF MACHINERY AND EQUIPMENT.

3. COMMENT. SINCE THE SOVIET UNION CONTINUES TO BE FACED WITH SEVERE HARD CURRENCY TRADE DEFICITS, NEED FOR UNPLANNED FOOD PURCHASES, AN UNCERTAIN WORLD GOLD PRICE AND PROBABLE INCREASES IN THE COSTS OF EURODOLLAR BORROWING, IT SEEMS LOGICAL THAT NEW EFFORTS SHOULD BE MADE TO UTILIZED AVAILABLE STATE-SUBSIDIZED CREDIT LINES. ALTHOUGH SOVIETS REPORTEDLY TRIED TO INCREASE SIZE OF CANADIAN CREDIT IN AN APPROACH MADE LAST DEC, AND ALLEGED THAT PLANS HAVE ALREADY BEEN MADE TO USE IT FOR SPECIFIC PROJECTS, (REFTEL C), FACT REMAINS THAT IT IS VIRTUALLY UNTOUCHED AS OF MID-1976. AND IN SIMILAR SITUATION, SOVIET DRAWINGS ON UK'S CREDIT LINE OF NEARLY ONE BILLION POUNDS HAVE ALSO BEEN RELATIVELY MEAGER, ALTHOUGH WE UNDERSTAND GROMYKO ASSURED BRITISH THAT LINE WOULD BE UTILIZED DURING A VISIT TO LONDON THIS SPRING.

4. CONSEQUENTLY, WE BELIEVE THAT CONFIRMATION - OR LACK OF CONFIRMATION - OF PATOLICHEV'S PREDICTIONS TO CANADIANS WILL BE AN INTERESTING INDICATION OF ACTUAL EXTENT OF SOVIET HARD CURRENCY PINCH. UP TO NOW, IN PLACING CAPITAL EQUIPMENT ORDERS, SOVIETS APPEAR TO HAVE OPTED FOR GEOGRAPHICAL PROXIMITY AND GREATER COMPETITIVENESS OF JAPANESE AND WEST EUROPEAN SUPPLIERS - THE FRENCH, THE ITALIANS AND MOST OF ALL THE GERMANS WHO RECEIVE CASH OR STRAIGHT COMMERCIAL FINANCING.
STOESSEL

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